

Chapter 7

RECORDS AND RETURNS

At the end of an accounting period or at other required times, you, as a leading petty officer, will have an important responsibility for supervising inventory procedures, auditing the closeout of records and the preparation of returns, and analyzing the operation of the ship's store. In each of these areas, you will be assisting the ship's store officer in maintaining effective control of the ship's store operation. First, however, you should be aware of the significance of the ship's store profits that appear on the returns: how profits are generated by sales and used by the Navy Resale and Services Support Office (NAVRESSO) and by your own ship to improve the welfare and morale of shipboard personnel. As you read the information in the chapter, keep in mind the importance of accurate ship's store returns. Remember, your returns document the financial operation of your ship's store.

SHIP'S STORE PROFITS

In chapter 6, the various types of sales from the ship's store, vending machines, and fountain operation were discussed from the supervisory point of view. As you learned in chapter 4, sales are required to replenish working capital (Navy Stock Fund). You saw how sales also generate profit, the value of which is determined by the amount of markup applied to the various items. Profits derived from sales in the ship's stores are held by the Treasury Department in a trust fund, Ship's Store Profits, Navy. In this section, you will read how ship's store profits are transferred to the General Fund and the Recreation Fund. You will also learn how certain charges are made against ship's store profits,

GENERAL FUND

The General Fund is maintained by the Naval Supply Systems Command (NAVSUP) through the Navy Resale and Services Support Office

(NAVRESSO). The General Fund accrues from an assessment that is made on the net cash generated from sales in each ship's store. The exact percentage of the General Fund assessment is dependent upon the size of the individual ship's allowance,

In addition, the General Fund takes in all excess profits that are reported by certain ships. The net ship's store profits that are generated during a single accounting period should not exceed 15 percent of the cost of retail sales. Profits that are greater than the 15 percent figure are considered to be "in excess" and are accrued into the General Fund. Finally, the General Fund accrues from the balance of any ship's store profits that remain after a ship is lost or decommissioned.

A large percentage of the money that accrues to the General Fund is paid to the Chief of Naval Personnel for the recreation of Navy personnel. A large part of this money is used to finance the Navy motion picture program that is so greatly appreciated by the fleet. Expenses covering the purchase and maintenance of athletic equipment are also among the many benefits supported by the General Fund. After entertainment and recreation expenses are covered, any remaining money in the General Fund is used for the benefit of individual ships.

In the case of new ships, the General Fund provides grants for the initial installation of ship's store facilities. Existing ships that are modernizing their ship's store facilities may apply for loans from the General Fund to cover the costs of improvements. Losses that occur when a ship closes the ship's store to enter a rehabilitation program can be properly charged to the General Fund. Other types of losses that are not chargeable to the Navy Stock Fund (NSF) are also absorbed by the General Fund whenever these losses are too great for the individual ship's store profits to offset. In fact, many surveys that cannot be absorbed by local profits are paid off by the General Fund.

Probably the largest expenditure from the General Fund for individual ships is for the procurement of vending machines. The Navy Resale and Services Support Office (NAVRESSO) is the procurement activity for all vending machines, popcorn machines, and soft ice cream machines. NAVRESSO loans the funds to ships at the time the machines are purchased. These loans must be repaid to the General Fund according to instructions provided by NAVRESSO.

RECREATION FUND

Profits in the trust fund belonging to the ship are transferred to the Recreation Fund for expenditure as the commanding officer deems necessary. Not all the profits available need to be paid into the Recreation Fund. Certainly the commanding officer will make the decision about how much is to be transferred, but the ship's store officer must make the appropriate recommendation concerning the reserve that should be retained on the accounts of the ship's store.

As a senior Ship's Serviceman, you may be able to foresee problems that might require funds. For example, if the ship is entering a yard period, the laundry and ship's store may very well be closed. It will be necessary for the laundry to be done ashore. The cost, of course, will be greater than the cost of doing the laundry in your own laundry facility. Also, there will be fewer profits generated from the store to pay the extra expenses. You will have to keep some money in the ship's store's accounts against which you can charge the costs of the outside services you must procure. If you expect a considerable loss because of surveys or markdowns below cost, retain some ship's store profits to cover these losses. The fact that all profits from the ship's store are not immediately transferred does not mean that the money is lost to the ship. The money is always available if it is needed.

As indicated by the examples above, you are not required to submit the entire amount of your ship's store profits. In fact, you must make allowances for all anticipated expenses, such as markdowns, surveys, equipment, purchases, and other operating losses, and you must allow for any amounts you report on your NAVSUP 487 as Liabilities Assumed.

When any operating losses occur or when you are expecting losses during the accounting period, you will use only the amount you reported on the NAVCOMPT 153 as Funds Brought Forward from the prior accounting period as the starting

point for determining the amount of ship's store profits you will later forward to the Recreation Fund.

Interim profits, if deemed necessary by the commanding officer, may be paid at any time to the Recreation Fund based on expected profits for the current period. You can calculate interim projects by using the following formula:

$$\frac{\text{Number of days expired in current period}}{\text{Total number of days in current period}} \times \text{Previous period's profits}$$

The amount should not exceed two-thirds of your last period's profits. However, if sales for the previous accounting period were markedly below normal because of overhaul or some other reason, you can compute the percentage of interim profits on the sales for the nearest normal accounting period.

CHARGES AGAINST SHIP'S STORE PROFITS

Ship's store profits are transferred to the Recreation Fund and the General Fund. They are also used to repay loans received from NAVRESSO. Any excess profits, however, must be transferred to the General Fund. In addition, ship's store profits are used to reimburse personnel who have incurred loss of or damage to apparel as a result of a ship's service operation.

When a member of the crew suffers a loss of (or damage to) personal apparel as a result of the operation of your laundry and dry-cleaning facility or tailor shop, you can submit a claim for reimbursement to the commanding officer via the ship's store officer. The procedures for handling the claim and the method for calculating the claim value of the personal apparel are detailed in the NAVSUP P-487 and are discussed in *Ship's Serviceman 3 & 2*, module 2, and in chapter 3 of this rate training manual.

INVENTORIES

Inventories serve many purposes. Any time they are taken, inventories serve to reestablish the responsibility of the ship's store operator and custodians. It is only logical for a responsible senior Ship's Serviceman to begin a new accounting period with an accurate value of stocks on hand. Inventories serve as a basis for the

transfer of accountability from one ship's store officer to another or the transfer of responsibility from one custodian to another.

DEFINITION AND PURPOSE

Physical inventory includes the processes of identifying, counting, and evaluating all stock on hand at a specific time. In a ship's store, authorized personnel must take a physical inventory to reestablish accountability for the ship's store officer, outlet operators, and bulk storeroom custodians. Physical inventories also function to transfer accountability and responsibility when the ship's store officer is relieved. Inventories are a management tool that ship's store managers can use to determine the following information:

1. The dollar value of stock on hand so that the financial reports can be prepared
2. The accuracy of the stock records so that any differences that may exist between the stock records and the stock on hand can be adjusted
3. The dollar value of any stock shortage that has resulted from spoilage, damage, waste, pilferage, or other losses that are not reflected on stock records
4. Areas of stock shortage or overage so that liability can be ascertained
5. Better ways in which proper stock control can be maintained

Inventories are a prerequisite to closeout of the ship's store records. When you are closing out the Ship's Store Afloat Financial Control Record (NAVSUP 235), you must be able to determine the value of the items on hand before you can determine any shortage or overage for retail operators. You must also know the stock on hand to determine the amount of profits from the fountain and vending machine operations. You can determine the cost value of all retail sales from the Journal of Expenditures (NAVSUP 978) only after you have posted the cost value of all items aboard. The quantity of each item sold is computed on the Stock Record (NAVSUP 464) cards only after the posting of the inventory. Inventory figures are the opening entries on the Journal of Receipts (NAVSUP 977), the Ship's Store Afloat Financial Control Record (NAVSUP 235), and the Stock Record (NAVSUP 464) cards.

Inventories help in stock control. They enable you to determine whether you are overstocked or understocked with individual items or with particular categories of stock. Thus, inventories

aid you in determining new stock requirements and serve to notify sales division personnel when markdowns or surveys (to rid the store of old or excess stock) should be made.

PREPARATION FOR INVENTORY

As a leading Ship's Serviceman, you can facilitate the efficiency of an inventory by ensuring that certain preparations are taken before the actual day of the inventory.

Inventory Teams

In the preparation for an inventory, one of the first tasks is the assignment of personnel to inventory teams. It is the ship's store officer's responsibility to acquire and maintain a complete and accurate inventory. To accomplish this objective, the ship's store officer should conduct a two-count system. A minimum of two inventory teams is required for a two-count system. Normally, inventory teams will be composed of two persons. If personnel are not available, however, an inventory team can be composed of only one person. Remember, the office records-keepers cannot be assigned to inventory teams at any time. The teams should be composed as follows:

1. First-count team—Either the ship's store officer, the designated officer assistant, or other commissioned officer, and one enlisted member
2. Second-count team—A senior enlisted person in the supply rating (E-6 or above) and one other enlisted person

With a letter of approval from your type commander, a qualified senior enlisted member (E-6 or above) in a supply rating can be authorized to conduct the monthly inventories. Details for this type of assignment are outlined in your NAVSUP P-487.

Inventory Sheets

For a ship's store inventory, you must use the Inventory Count Sheet (NAVSUP 238). This document should be prepared in advance in quadruplicate. Each set of count sheets should consist of four copies that are color-coded in white (original), yellow, pink, and blue, respectively. The ship's store officer must serialize the count sheets before their distribution to the inventory team.

Next, the ship's store officer will distribute the count sheets to the responsible custodians for advance recording. The ship's store officer will maintain a number control, in duplicate, of the inventory count sheets issued with the team and the spaces assigned to each sheet. When the members of the inventory team return the count sheets, the ship's store officer will log each sheet in on the number control. The ship's store officer must never leave count sheets unattended. If the sheets must be held overnight, the ship's store officer or a designated assistant must lock them up in a secure place.

Advance Recording

Certain information required on the ship's store inventory count sheet must be inserted in advance of the actual count. This information must be prelisted by the responsible custodian for the actual stock in the spaces to be inventoried. The custodian should use a series of inventory count sheets for each space that will be inventoried. The custodian must record the following information in advance on all four copies of the inventory count sheet:

- The description of the merchandise by line items (size, color, brand, etc.)
- The unit of issue
- The fixture number (assigned locally)
- The location of the stock being inventoried

Scheduling

The final preliminary step is that of scheduling. The time for the inventory should be planned so the store will be closed for the shortest possible period of time. Under normal conditions, 2 working days should be adequate. The store should not be closed on payday. The time for the inventory should be determined after consultation has taken place among the leading petty officer of the ship's store division, the ship's store officer, the supply officer, and the executive officer. The word should also be passed well in advance to crew members to enable them to care for their needs before the store is closed. Normally, inventory should be taken at the end of each regular accounting period. This may be any time during the last week of business. The other circumstances

when inventories are required are detailed in the NAVSUP P-487.

The preparation time before the inventory should also allow for a thorough indoctrination of the personnel assigned to conduct the inventory. Besides the required written instructions, the ship's store officer and the leading petty officer should take the designated assistant or inventory teams into the spaces they will count. Detailed instructions should be provided for each space. Finally, the inventory should be scheduled at a time when the participants are expected to be mentally alert.

SUPERVISION OF PROCEDURES

At the time of the inventory, you may very well be assigned to an inventory team. Or you may be the senior Ship's Serviceman who is responsible for conducting a training session on inventory procedures before the actual count takes place. In any case, you should be thoroughly familiar with the procedures that must be followed.

Actual Count

Under normal conditions, you will probably use a two-count system. In this method, one person should count and another person should record the inventoried quantities. Make certain that inventories are recorded in ink or indelible pencil on the inventory count sheets. Also, make certain that all corrections and changes to the original inventory are made in ink or indelible pencil. Any corrections or changes should be initialed opposite each change or correction by the persons who conducted the inventory and by the responsible custodian. For separate responsibility, bulk storerooms should be inventoried and balanced with the Stock Record (NAVSUP 464) cards before the resale outlets are inventoried.

First Count

The first count must be recorded on the white and yellow copies only of the Inventory Count Sheets (NAVSUP 238s). Inventory patterns for the first count should be planned and should stay consistent. For example, the inventory of a space should start on the left and work to the right of each section of the space. When the inventory of a space has been completed, the inventory sheets must be signed by the responsible custodian and by the persons taking the inventory. The sheets must then be returned to the ship's store officer.

Second Count

The second count must be recorded on the pink and blue copies only of the Inventory Count Sheets (NAVSUP 238s). The second count should be made by a team other than the team that made the first count. However, the second count should be conducted in the same manner and with the same techniques that were used in the first count.

When the inventory of a space has been completed, the responsible custodian and the members of the inventory team must sign the inventory sheets. At this point, the sheets should be returned to the ship's store officer.

Reconciliation of the First and Second Counts

The ship's store officer (or designated assistant) must now reconcile the inventory sheets for the first and second count. If differences occur, the ship's store officer (or designated assistant) must make a third count of the items. When the correct amount is determined, the ship's store officer should make the necessary changes to all copies of the inventory sheets from the first and second counts. To make the corrections, the ship's store officer must draw a line through each error and write the correct figure. The ship's store officer or assistant—whoever made the third count—and the responsible custodian must both initial each correction.

Security

Upon completion of the inventory (or at any other time when the inventory is not in progress), each space must be secured with a lock and with a numbered lead or car seal. The seal number must be recorded in a log and the number must be verified by the custodian of the space.

Inventory Affidavit

Upon completion of the inventory and after all differences have been reconciled, corresponding inventory count sheets from the first and second counts should be matched and stapled together. Remember, a separate affidavit for each space inventoried should be prepared and stapled together with the corresponding inventory count sheet for that space. A copy of the affidavit format and the correct distribution of the inventory count sheets can be found in your current NAVSUP P-487.

Price Line Inventory

Price line inventories are a tool the ship's store officer can use to establish a correct money value

for the balance of ship's store stock on hand. To be effective, however, price line inventories must be carefully planned and supervised.

Price line inventories are performed at various times and under varying circumstances. For example, the ship's store officer may conduct a price line inventory on all ship's stock, including standard Navy clothing items, just to acquire a dollar value figure for all stock on hand. In this case, the price line inventory serves as a management tool for proper stock control and as a source of information to be used in the required financial reports for the ship's store.

Whenever a resale outlet operator is relieved, the ship's store officer will usually insist that a price line inventory be made of the stock under the operator's custody. On ships with separate responsibility, the price line inventory must be taken upon relief of the ship's store operator or bulk storeroom custodian. Generally, price line inventories are taken monthly in self-service stores and in resale outlets that are operated by more than one person. In cases of break-ins or theft, price line inventories are usually sufficient for the evaluation of the affected ship's store spaces. At any other time, as directed by the type commander (TYCOM), the commanding officer (CO), the supply officer, or the ship's store officer, an inventory of ship's store stock may be required.

Verification of Stock Records

A verification of physical counts with actual bulk storeroom card balances on the NAVSUP 464s must be made. Usually, the ship's store officer (or a designated qualified person) and the recordskeeper will perform this verification. Since the same item may be located in more than one ship's store space, individual postings to the NAVSUP 464 will be required. The responsible custodian (whose space is being inventoried) should not be designated to perform this verification. When the retail store and bulk storeroom are operated by the same person, only physical counts of the cost of operations items should be verified with bulk storeroom card balances. When there are differences, the items should be investigated. If errors are found in the inventory, the inventory sheets must be collected and the appropriate corrections must be made. All corrections must be initialed by the persons who took part in the inventory. These same people should return the inventory sheets. The same attention that is given to investigating retail differences should be given

to investigating differences between the bulk storeroom count and the actual card balances.

Extending and Summarizing the Inventories

The office recordskeeper must now extend the inventory at cost and retail (where applicable) on the working (yellow) copy of the NAVSUP 238. The original (white copy) will be extended by another qualified person. Neither the responsible custodian whose space is being inventoried nor the recordskeeper can be designated to extend the original inventory. Using the original inventory, the ship's store officer (or the designated person) will verify the extensions on the working copy for accuracy. Using the same reconciliation procedures mentioned earlier in this chapter, the ship's store officer will reconcile any differences and will make all the necessary changes.

MID-ACCOUNTING PERIOD INVENTORY

Most type commanders require taking surprise mid-accounting period inventories. This procedure is highly recommended for all ship's store divisions regardless of requirements. The mid-accounting period inventory allows an interim check to be performed on the store operation. The stock position of the store can then be reviewed. More importantly, however, the financial condition of the store can be determined. Is the store operator accurately caring for stocks entrusted to him or her by producing money or material for the full value? The element of surprise is the most important aspect of this type of inventory. Precautions should be taken so the store operator is completely unaware of any preparations for a mid-accounting period inventory.

AUDITING TECHNIQUES

Auditing is one the most important and frequently neglected functions of ship's store supervision. Proper records are absolutely essential to an effective ship's store operation. As a leading Ship's Serviceman, you will very likely have some responsibility for auditing ship's store records and returns.

Auditing is the regular systematic checking of the stock and financial records in a ship's store. The main purpose of an audit is to discover errors and irregularities. Discovery of these errors should lead to correction of all the affected records. Ultimately, discovery of errors should lead to the prevention of their reoccurrence.

As mentioned frequently in this training manual, it is wise for you to perform the audit steps periodically rather than to wait until the end of the accounting period. In this way, errors are generally restricted to shorter periods. Also, more time for auditing is available if auditing is done throughout the accounting period. Errors can be detected earlier and stopped promptly. Also, by detecting these errors early, you can make corrections and adjustments to personnel and to procedures at the time. Consequently, you can avoid the detailed investigations that become necessary when errors are discovered at the end of the accounting period. Finally, you can complete the closeout of the records and the preparation of the returns in less time.

In each of the chapters on procurement, receipts, and expenditures, a section has been included on auditing procedures. Now, suggested procedures will be described for the auditing of closeout and the preparation of returns.

AUDITING CLOSEOUT

The ship's store records are not difficult to close out. No magic is required for you to complete this job. However, closing out the ship's store records is a necessary task you must perform to obtain the information you need to prepare the returns required by your appropriate fleet accounting and disbursing center (FAADC).

Closeout should follow this sequence of events:

1. Stock Record
2. Ship's Store Afloat Financial Control Record
3. Journal of Receipts
4. Journal of Expenditures

Why is this order important? As mentioned earlier, by closing out the Stock Record first, you can compare the quantities inventoried with the card balances, and you can correct any errors. Second, the Ship's Store Afloat Financial Control Record should be closed out, as the store can be reopened once a satisfactory balance is obtained. Third, the Journal of Receipts must be closed out. Last, you must close out the Journal of Expenditures. You will need information from the Ship's Store Afloat Financial Control Record and the Journal of Receipts before you can close out the Journal of Expenditures. The audit procedures for each of these areas will now be discussed.

Stock Record Cards

First, you must check over the information on the stock record cards. See figure 7-1. Throughout

DATE	INVENTORY NO.	ITEM DESCRIPTION	QUANTITY	UNIT	RETAIL PRICE	QUANTITY	TOTAL INVENTORY AT RETAIL	COST PRICE	TOTAL INVENTORY AT COST
10/1	ENV	B.F.	12			12			
10/4	#2	LDY	2			2			
10/5	#3	LDY	3			3			
10/6	#4	LDY	4			4			
10/7	#5	LDY	5			5			
10/8	#6	LDY	6			6			
10/9	#7	LDY	7			7			
10/10	#8	LDY	8			8			
10/11	#9	LDY	9			9			
10/12	#10	LDY	10			10			
10/13	#11	LDY	11			11			
10/14	#12	LDY	12			12			
10/15	#13	LDY	13			13			
10/16	#14	LDY	14			14			
10/17	#15	LDY	15			15			
10/18	#16	LDY	16			16			
10/19	#17	LDY	17			17			
10/20	#18	LDY	18			18			
10/21	#19	LDY	19			19			
10/22	#20	LDY	20			20			
10/23	#21	LDY	21			21			
10/24	#22	LDY	22			22			
10/25	#23	LDY	23			23			
10/26	#24	LDY	24			24			
10/27	#25	LDY	25			25			
10/28	#26	LDY	26			26			
10/29	#27	LDY	27			27			
10/30	#28	LDY	28			28			
10/31	#29	LDY	29			29			
10/32	#30	LDY	30			30			
10/33	#31	LDY	31			31			
10/34	#32	LDY	32			32			
10/35	#33	LDY	33			33			
10/36	#34	LDY	34			34			
10/37	#35	LDY	35			35			
10/38	#36	LDY	36			36			
10/39	#37	LDY	37			37			
10/40	#38	LDY	38			38			
10/41	#39	LDY	39			39			
10/42	#40	LDY	40			40			
10/43	#41	LDY	41			41			
10/44	#42	LDY	42			42			
10/45	#43	LDY	43			43			
10/46	#44	LDY	44			44			
10/47	#45	LDY	45			45			
10/48	#46	LDY	46			46			
10/49	#47	LDY	47			47			
10/50	#48	LDY	48			48			
10/51	#49	LDY	49			49			
10/52	#50	LDY	50			50			
10/53	#51	LDY	51			51			
10/54	#52	LDY	52			52			
10/55	#53	LDY	53			53			
10/56	#5								

Figure 7-1.—Closeout of stock record cards.

the accounting period, the ship's store records-keeper should have posted the following data to the stock record cards:

- Receipts
- Expenditures
- Quantity of each item as shown on the inventory sheets
- Quantity of sales of each item

If you have a separate operation, then you should check to see that both the Bulk and Total Balance inventory totals have been recorded on the stock record cards. It is the Bulk inventory figure that should agree with the Balance in Bulkroom quantity on the NAVSUP 464 for all retail and cost items. In a combined operation, only the Total Balance figure should be recorded and verification can be done only for the cost of operation items.

Second, you should spot check several of the quantity of sales figures to make certain that the recordskeeper is calculating this total correctly. To arrive at the Total Sales figure, the recordskeeper should be using this formula:

$$\text{Beginning Inventory} + \text{Receipts} - \text{Expenditures} - \text{Closing Inventory} = \text{Total Sales.}$$

For a cost item, of course, there will be no quantity of sales figure. Finally, you should check the stock record cards for general closeout format. See figure 7-1.

Ship's Store Afloat Financial Control Record

The first step in the closeout of the Ship's Store Afloat Financial Control Record (NAVSUP 235) was the posting of the final expenditure—Sales—to the various applicable columns, such as Store No. 1, Vending Machine, Fountain, and Clothing. See figure 7-2. You should check to see that this total agrees with the total of the four Memorandum Cash Sales Invoices (DD 1149s) for the months of the accounting period.

Second, the closing inventory figure should have been entered on the Expenditures side of each column. You should make sure the recordskeeper has used the correct inventory total—the total of the retail value of items in the ship's store; the total retail value of vending machine

stock, such as canned sodas, candy, cigarettes, and other vending machine products; and the cost value of cup-type soda machines and supplies actually in the vending machines; plus any items previously charged off.

Third, the subtotals and totals should have been calculated and recorded correctly. It is at this point that any differences between the Receipts and Expenditures sides will appear. For the retail store, if the subtotal for the Expenditures side is less than the subtotal of the Receipts side, a shortage exists. If the value of Expenditures exceeds the value of Receipts, then an overage exists. Theoretically, the two sides should balance exactly. However, occasional errors in any retail operation, such as incorrect change or wrong pricing, will usually result in a small difference. On the other hand, a large difference is either the result of a bookkeeping error or the product of negligence, theft, or misappropriation of money or material. As an auditor, you should first check to see if a large difference is the result of a bookkeeping error. Take the following steps in your examination:

1. Check the extensions and totals on the inventory sheets,
2. Recheck the extensions, the totals, and the postings of receipt and expenditure documents. (This should have been done during the accounting period, as discussed in the previous chapters.)
3. Examine the preparation of the cash sales invoices.
4. Conduct another inventory. (You might save time by checking the high-priced items first. An error with a few high-priced items could be the cause of the significant difference in the NAVSUP 235.) Also, consult your NAVSUP P-487 for a list of the most common causes of discrepancies.

If, after investigation, a difference (shortage or overage) in excess of 1 percent of sales still exists, you must consider such a difference to be excessive. Submit a letter report using the guidelines in your NAVSUP P-487. You must submit the report under the following circumstances:

- Any gain or loss of a suspicious or reoccurring nature regardless of the money value
- In self-service resale outlets (walk-in stores) with sales of \$20,000 or less per accounting period, a gain or loss in excess of 1 percent of sales

COST OF SALES FOR CAN DRINK
VENDING MACHINES TAKEN FROM
LINE R OF ALL NAVSUP FORMS 236
FOR THE ACCOUNTING PERIOD

COST OF SALES	\$ 8,275.46
GROSS PROFIT	\$ 4,870.54 (31%)

\$157 35

79.71

A large difference always exists in the cup-type soda Vending Machines and the Fountain columns; however, this is because all entries have been posted at cost price except for the entries for Sales that are posted at a marked-up price (the cash that was actually received). The value of Sales, then, is the sum of the cost value of the items sold plus the profit that has been received. The large difference, therefore, is actually gross profit. Since it is a forced figure, overages and shortages cannot be strictly accounted for. However, gross profit should be about 60 percent of the sales figure for Vending Machines. Generally, the gross profit for the fountain should be about 30 to 40 percent, depending on the size of the individual servings. Large deviations from these percentages should be investigated.

If clothing items are sold in a separate retail outlet, a separate column on the Financial Control Record should show no difference in the Receipt and Expenditures subtotals since there is a standard price and no markup is involved. However, small differences may appear for various common reasons.

The Other Cost Material column, which is used only in a combined operation, should also have no difference in its subtotals since no sales are involved. Material is received, expended, and inventoried at cost price. A difference of a few cents might be the result of rounding off cost prices of material upon receipt or receipt of stock at a new price that was used for expenditures of old and new stock alike. Any large financial difference should be substantiated by a difference you find when you are closing out the stock records for cost of operation items. For example, if the stock record for laundry soap was short 50 pounds and the cost price is 20¢ per pound, there should be a \$10 shortage in the Other Cost Material column. Likely sources of error in this column are the improper pricing of breakouts and errors in posting.

The total of the Cost of Operation column is the value of all material broken out as a cost of operation and used in the laundry or barbershop. This value also includes vending machine repair parts.

Once you have examined the subtotals and totals, you should check the recordskeeper's recaps of each column. You will need this information for closing out the remaining records. You will also need this information to evaluate the success of the store operation and the accuracy of the store operator in accounting for the stocks in that person's custody.

The first recap is for the retail store. The difference should have been entered and identified as an overage or shortage, as shown in figure 7-2. The difference as a percentage of sales should have been entered in parentheses. All differences, regardless of size, should be reported on the reverse side of the NAVCOMPT 153.

The second recap provides information about the vending machine operation. The Cost of Sales figure is the difference between the gross profit (subtotal difference) and the vending machine (VM) sales. The gross profit figure is also entered in the recap along with the percentage of gross profit to sales. Finally, the Cost of Operation figure, which was obtained by adding all the VM entries in the Cost of Operation column of the NAVSUP 235, should have been entered.

In a combined operation, the Other Cost Material (OCM) column is recapped. All that is required is the value of the Cost of Operation column less the VM entries and any difference existing in the OCM column.

In a separate operation, there is no Other Cost Material recap that lists the value Cost of Operation—Material from the Cost of Operation column. Recaps should also be included for clothing items and the fountain operation, whenever applicable. An example of a separate operation closeout of a Ship's Store Afloat Financial Control Record is shown in figure 7-2.

Journal of Receipts

Closing out the NAVSUP 977 involves nothing more than totaling the record. All six columns of the record should be totaled and two recaps of receipts should be prepared. See figure 7-3. For the first recap, the totals of the three ship's store columns should be added as well as the totals for the three clothing columns. You will use the first recap in closing out the Journal of Expenditures. For the second recap, the totals of each of the three types of receipts for both ship's store and clothing should be added. You will use the second recap in preparing the financial statements. See figure 7-3.

Journal of Expenditures

Many expenditures have been posted to the Journal of Expenditures (NAVSUP 978) throughout the accounting period. Remember, all entries are made at cost price. These include transfers, surveys, markdowns (below cost), and some issues. Other expenditures, however, have

7-11

JOURNAL OF RECEIPTS NAVSUP 977 (REV 2 61)				S/N 0108-LF-802-2701		USE OF THIS COLUMN IS OPTIONAL		ACCT PERIOD 31 JAN 19--		PAGE 1 OF 1	
DATE RECEIVED	RECEIVING NO	ORDER OR REG N NO	RECEIVED FROM	INVOICE OR INSPECTION REPORT NO	FROM OTHER S O S	SHIP'S STORE PURCHASES	OTHER SOURCES	FROM OTHER S O S	CLOTHING PURCHASES	OTHER SOURCES	DATE FORWARDED FOR PAYMENT
10-1							41,352.21			10,500.41	
10-3	1	9700	NSC NORFOLK VA		5,479.35						
10-15		8	GAIN BY STD PRICE ADT							200.00	
10-17	2	9700	ADMIRAL EXCHANGE	9700		7,599.07					
10-31	RECEIPTS 1 + 2 FORWARDED TO FAADC THIS DATE										
11-8	3	9604	CASH REFUND			(-150.00)					
11-26	4	9701	EURPAC	9701		8,406.11					
11-30	5	9703	COCA-COLA CO	9703		6,220.44					
11-30	RECEIPTS 3 THRU 5 FORWARDED TO FAADC THIS DATE										
12-12	6	9902	NSC CHARLESTON SC					3,813.81			
12-22	7	9702	C. LLOYD JOHNSON	9702		8,506.11					
12-29	8	9903	USS WHITE PLAINS (AFS-4)	9653	3,867.37						
12-31	RECEIPTS 6 THRU 8 FORWARDED TO FAADC THIS DATE										
1-13	9	9904	NSC CHARLESTON SC					8,689.31			
1-19	10	9705	STANLEY BROS	9705		5,478.46					
1-24	11	9704	ROBERT HALE CO	9704		376.42					
1-29	12	9706	MERIT MARKETING	9706		8,011.01					
1-31	RECEIPTS 9 THRU 12 FORWARDED TO FAADC THIS DATE										
TOTALS					9,346.72	44,417.62	41,352.21	12,503.12	- 0 -	10,700.41	
RECAP OF RECEIPTS											
SHIPS STORE					95,146.55		PURCHASE	44,417.62			
STANDARD NAVY CLOTHING					23,203.53		OSO	21,249.84			
TOTAL					118,350.08		OTHER	52,052.62			
							TOTAL	118,350.08			
NUMBERS CONSECUTIVELY ASSIGNED EACH ACCOUNTING PERIOD TO EACH RECEIPT DOCUMENT FROM THIS COLUMN					MUST AGREE WITH TOTALS REPORTED ON NAVSUP FORM 978						

Figure 7-3.—Closeout of the Journal of Receipts.

not been posted either because it was more convenient to wait until the end of the period or because their value was not known. In auditing the Journal of Expenditures, you must make certain that all these expenditures have been correctly calculated and posted before the record can be closed out. See figure 7-4 for an example of a closed-out Journal of Expenditures.

The Cost of Operation—Material and Cost of Operation—Vending Machine values are examples of postings that have been deferred for convenience. These values should have been simply extracted from the Ship's Shore Afloat Financial Control Record recaps. Money Value Invoices (DD 1149s) should have been prepared by the recordskeeper for these two types of costs of operations. The Cost of Operation—Material invoice should have been broken down into money value by the service activity (barbershop or laundry). You can check the format of the invoices by referring to the NAVSUP P-487.

The last type of expenditure that should have been recorded is the cost value of the different types of sales. The first entry, Cost of Sales—Vending Machines, is obtained from the vending machine recap on your Ship's Store Afloat Financial Control Record for cup-type sodas and from line R of your NAVSUP 236 for canned sodas. The next entry, Cost of Sales—Retail, is forced after all other entries have been added. The value of the next entry, Bulk Sales—Cost Price, is simply the total of all Bulk Sales invoices contained in the Cash Sales file. In a separate operation, the value of the next entry, Clothing Sales—Standard Price, is known and obtained from the Cash Register Record (NAVSUP 469) covering the clothing sales outlet. In a separate operation, another entry, Loss by Inventory—Clothing, is required if a shortage has occurred in the Clothing Outlet column of the Ship's Store Afloat Financial Control Record. If there was an overage, the entry Gain by Inventory—Clothing should have been added to the Journal of Receipts before closeout rather than to the Journal of Expenditures. The value of this difference is the amount necessary to make the Clothing column on the NAVSUP 977 agree with the Clothing column of the NAVSUP 978. The gain or loss should also be documented on a DD 1149.

The next step in closing out the Journal of Expenditures should have been the posting of the closing inventory from the inventory document. You should check to see that the Total Inventory at Cost column on the Inventory Document (NAVSUP 238) has been broken down into two

different categories, clothing and ship's store stock (everything except clothing), and has been posted to the Journal of Expenditures as these two amounts.

Then, the totals from each column on the Journal of Expenditures should be posted. The values are known even without the Cost of Sales—Retail figure since the grand totals must agree with those on the Journal of Receipts.

When posting the totals of the four columns on the NAVSUP 978, you should post the total of the To Other Supply Officers (O.S.O.) columns first. The total of the Other Expenditures column is then the grand total to be accounted for in that area less the total of the To O.S.O. columns.

Finally, the value of Cost of Sales—Retail can be determined and posted. You should check the recordskeeper's calculation of this value carefully since the procedure can be confusing. The Cost of Sales—Retail figure is forced and is obtainable in all cases since you know the value of all other entries, including the totals. The value of all other expenditures is now known. By now, all expenditures of material throughout the accounting period will have been posted to the NAVSUP 978 except for the cost value of items sold in the retail outlet. The closing inventory is also known and has been posted. The total expenditures that must be accounted for are known and have been posted. The amount to be entered as Cost of Sales—Retail is now the amount that will be necessary to balance the total expenditures with the total receipts of ship's store items from the Journal of Receipts. The recordskeeper should be aware that there is no other simple method by which this value can be obtained. The forced figure will absorb all errors made on the two cost records and will directly influence ship's store profits. Thus, it is important this figure be calculated correctly.

In a combined operation (when clothing and retail outlets are the same), the value of Clothing Sales—Standard Price is not known and must be forced as well. The value will be the amount necessary to balance the total expenditures with the total receipts of clothing items on the Journal of Receipts (NAVSUP 977). Furthermore, in a combined operation, a loss or gain by clothing inventory does not have to be recorded since any loss or gain will be absorbed in the forced figure.

Finally, you should make certain that the Journal of Expenditures has been recapped twice in the same manner as the Journal of Receipts. The first recap on the NAVSUP 978 should be

JOURNAL OF EXPENDITURES NAV 5 AND A FORM 978 - REV 7-61				ACCT PERIOD ENDING 31 JAN 19--			
		SHIP'S STORE		CLOTHING			
DATE	INVOICE NO	EXPENDED TO	TO OTHER S.O.'S	OTHER EXPENDITURES	TO OTHER S.O.'S	OTHER EXPENDITURES	
10-4	9600	USS DAVIDSON (FF-1045)	171 78				
10-12	2	MARKDOWN BELOW COST (VM)		10 00			
10-25	9601	BULK SALE		40 00			
11-7	9603	HEALTH AND COMFORT ISSUE		5 00			
11-23	9901	RECEIPT FROM GENERAL STORES		(-5 00)			
12-16	9606	SURVEY (SSPN-SS)		14 50			
12-17	9607	BULK SALE		60 00			
12-18	24	MARKDOWN TO ZERO (SS)		40 00			
1-8	9609	SURVEY (NSF-STD NAVY CLOTHING)				41 55	
1-21	9610	USS SCOTT (DDG-995)			75 42		
1-25	9611	ISSUE TO SHIP'S USE				18 70	
1-31	9613	COST OF OPS - MATERIAL		1,324 00			
1-31	9614	COST OF OPS - DRINK VM		157 35			
1-31	9615	LOSS BY INV (STD NAVY CLOTHING)				22 63	
		COST OF SALES - DRINK VM		8,275 96			
		COST OF SALES - RETAIL		52,039 26			
		STD NAVY CLOTHING SALES				13,865 55	
		INVENTORY CARRIED FORWARD		33,013 70		9,179 68	
		TOTAL	171 78	94,974 77	75 42	23,128 11	
RECAP OF EXPENDITURES							
		SHIPS STORE	95,146 55		050	247 20	
		STANDARD NAVY CLOTHING	23,203 53		OTHER	118,102 88	
		TOTAL	118,350 08		TOTAL	118,350 08	
TOTAL:							

171.78 +
 10.00 +
 40.00 +
 5.00 +
 5.00 -
 14.50 +
 60.00 +
 40.00 +
 1,324.00 +
 157.35 +
 8,275.96 +
 33,013.70 +
 012 43,107.29 *
 95,146.55 +
 43,107.29 -
 002 52,039.26 *
 COST OF SALES - RETAIL

POST AT
RETAIL PRICE

NEGATIVE
ENTRY

COST OF SALES FOR CAN DRINK
VENDING MACHINES TAKEN FROM
LINE R OF ALL NAVSUP FORMS 236
FOR THE ACCOUNTING PERIOD

COST OF SALES-RETAIL
FORCED (SEE ADDING
MACHINE TAPE)

THIS RECAP BROUGHT FORWARD
FROM NAVSUP FORM 977

Figure 7-4.—Closeout of the Journal of Expenditures.

identical to that on the NAVSUP 977. The first recap also provides a good check on the records-keeper's mathematical computations. The second recap on the Journal of Expenditures is not identical to the second recap on the Journal of Receipts. The Journal of Expenditures is a record of to whom your material was expended. Also, this record is necessary for the preparation of the financial statements.

In conclusion, the importance of a thorough audit in all these areas cannot be overemphasized. Accountability is being summarized when the records are closed out. An accurate set of returns is dependent on an accurate closeout. Remember, you, as the auditor, will be held responsible for verifying the accuracy of these important records.

AUDITING RETURNS

Once the ship's store records have been properly closed out, the recordskeeper is ready to prepare the returns for submission to the appropriate fleet accounting and disbursing center (FAADC). The returns must be submitted within 15 days following the end of the applicable accounting period. The accounting periods are the 4-month periods ending 31 January, 31 May, and 30 September. The accounting period may be less than 4 months if the ship's store officer is being relieved. The accounting period may be more than 4 months if the commanding officer authorizes in writing that merged returns will be submitted.

MERGED RETURNS

As long as the total of the merged period does not exceed 5 consecutive months, the returns for a fractional period can be merged with the returns for the previous or later period. Of course, approval for any merged returns must be authorized in writing by the commanding officer. The only period that cannot be merged is the accounting period ending 30 September. In unusual or emergency circumstances when returns must be merged for the period from 1 September through 31 October, a request for exception can be forwarded to NAVRESSO with a copy to the appropriate FAADC and to the Navy Regional Finance Center, Washington, D.C. Once any returns have been merged, copies of the written authorizations must be forwarded immediately to NAVRESSO, the appropriate FAADC, and the Navy Regional Finance Center, Washington, D.C. The original of the letter that authorized the

merged returns for any period must be included with the returns when the returns are submitted to the appropriate FAADC.

DELAY AND DELINQUENCY

When returns cannot be submitted on or before the date they are required to be submitted, a letter from the commanding officer explaining the reason for the delay and the anticipated mailing date should be forwarded to the appropriate type commander. A copy of the letter should be forwarded to the Naval Supply Systems Command (Deputy Commander, Programming and Financial Management, Comptroller), to the appropriate FAADC, and to NAVRESSO.

SHIP'S STORE BALANCE SHEET AND PROFIT AND LOSS STATEMENT

You should prepare the Ship's Store Balance Sheet and Profit and Loss Statement (NAVCOMPT 153) in the number of copies required. See figures 7-5 and 7-6. You must use the Journal of Receipts (NAVSUP 977) and the Journal of Expenditures (NAVSUP 978) for the preparation of the balance sheet section of the NAVCOMPT 153. You must also substantiate the NAVCOMPT 153 with vouchers covering all receipts and expenditures during the accounting period. If an adding machine tape is required, the tape should show the unit identification code of the ship, the period covered by the returns, and the caption substantiated.

Receipts Caption

The Receipts side of the NAVCOMPT 153 extends from lines B01 through B09. Refer to figure 7-5. To enter the correct amounts for these lines, use the information you have accumulated on the Journal of Receipts (NAVSUP 977). The supporting documents for your entries on the NAVCOMPT 153 should be in their appropriate files for ship's store accounts. To obtain the correct file names for the corresponding B lines on the NAVCOMPT 153, consult the current NAVSUP P-487.

Expenditures Caption

You must complete the Expenditures side of the NAVCOMPT 153, from lines B10 through B30, with information contained in the Journal of Expenditures (NAVSUP 978). Just as for the

SHIP'S STORE BALANCE SHEET AND PROFIT AND LOSS STATEMENT				RCS NAVCOMPT 7323.4	
NAVCOMPT FORM 103 (REV. 3-84) DAI 0104-17-700-1032		AUTH INVENTORY \$24,300 AUTH INCREASES 12,900 TOTAL AUTH INV \$37,200			
SHIP'S UNIT IDENTIFICATION CODE & NAME		AUTHORIZED INVENTORY NUMBER (SEE SUPPORTED)	450	FROM	1 OCT 19--
ENTER UIC AND NAME OF SHIP		\$54 - \$24,300		TO	31 JAN 19--
BALANCE SHEET				"AUTHORIZED INCREASES" REPORTED AS PER PAR. 9301	
RECEIPTS		AMOUNT	EXPENDITURES		
WITH CHARGE			ISSUES WITH REIMBURSEMENT		
PURCHASE	B01	44,447.62	ISSUES TO USE B10 18.70		
			ISSUES IN KIND B11		
			BULK SALES B12 100.00		
			STANDARD NAVY CLOTHING SALES B13 13,865.55		
INVENTORY ADJUSTMENTS			INVENTORY ADJUSTMENTS		
GAIN BY INVENTORY (STANDARD NAVY CLOTHING)	B02		LOSS BY INVENTORY (STANDARD NAVY CLOTHING) B14 22.63		
			SURVEYS TO NSF (SSI) B15		
			SURVEYS TO NSF (STANDARD NAVY CLOTHING) B16 41.55		
FINANCIAL ADJUSTMENTS			FINANCIAL ADJUSTMENTS		
GAIN BY PURCHASE VARIANCE (STANDARD NAVY CLOTHING)	B03		LOSS BY PURCHASE VARIANCE (STANDARD NAVY CLOTHING) B17		
GAIN BY STANDARD PRICE ADJ (STANDARD NAVY CLOTHING)	B04	200.00	LOSS BY STANDARD PRICE ADJ (STANDARD NAVY CLOTHING) B18		
TRANSFERS FROM OTHER SUPPLY OFFICER			TRANSFERS TO OTHER SUPPLY OFFICER		
SHIP'S STORE	B05	9,346.72	SHIP'S STORE B19 271.78		
STANDARD NAVY CLOTHING	B05A	12,503.12	STANDARD NAVY CLOTHING B19A 75.42		
FINANCIAL ADJUSTMENTS (GAINS)			FINANCIAL ADJUSTMENTS (LOSSES)		
(IF AACD USE ONLY)	B06		(IF AACD USE ONLY) B20		
			RETAIL OPERATION		
			(EXCEPT SOFT DRINK VENDING MACHINE)		
			COST OF RETAIL SALES B21 52,039.26		
			COST OF OPERATION B22 1,324.00		
			SURVEYS TO PROFITS B23 14.50		
			MARKDOWNS BELOW COST B24 40.00		
			SOFT DRINK VENDING MACHINE OPERATION		
			COST OF SALES B25 8,275.96		
			COST OF OPERATION B26 157.35		
			SURVEY TO PROFITS B27		
			MARKDOWNS BELOW COST B27A 10.00		
OPENING INVENTORY			CLOSING INVENTORY		
SHIP'S INVENTORY	B07	41,352.21	SHIP'S STORES B28 33,013.70		
STANDARD NAVY CLOTHING	B08	10,500.41	STANDARD NAVY CLOTHING B29 9,179.68		
TOTAL RECEIPTS	B09	118,350.08	TOTAL EXPENDITURES B30 118,350.08		
PROFIT AND LOSS STATEMENT					
RECEIPTS		AMOUNT	EXPENDITURES		AMOUNT
FUNDS BROUGHT FORWARD (LINE C24 PREVIOUS STATEMENT)		C01 6,558.84	COST OF SALES—RETAIL (LINE B21)		C10 52,039.26
SALES PER CASHBOOK			DISHONORED CHECKS C11		
RETAIL (SHIP'S STORE ONLY)		C02 59,845.15	OPERATING EXPENSES (LINES B22, B23, B24)		C12 1,378.50
DRINK VENDING MACHINE INDICATE TYPE <input checked="" type="checkbox"/> CANNED <input type="checkbox"/> CUP		C03 13,166.30	LAUNDRY CLAIMS AND OTHER SERVICE CHARGES C13		10.96
CONTRIBUTIONS TO BS PROFIT			GENERAL FUND ASSESSMENT (4 % OF LINE C02)		C14 2,393.81
CASH COLLECTIONS FROM AMUSEMENT MACHINES		C04 440.00	COST OF SALES—VENDING (LINE B25)		C15 8,275.96
REBATE CHECKS FROM EXCHANGE CATALOG SALES		C04A 127.00	COST OF OPERATING VENDING (LINES B26, B27, B27A)		C16 167.35
OTHER CONTRIBUTIONS		C04B 15.75	EXCESS PROFITS (LINE C26 MINUS 10% OF LINE C10)		C17
NAVRESSO LOANS		C05 1,256.00	EQUIPMENT PURCHASES C18		1,256.00
AUTHORIZATION: NAVRESSO LTR OF --			DISBURSEMENTS TO AMUSEMENT MACHINE CONTRACTOR C19		144.32
NAVRESSO GRANTS		C06	LOAN REPAYMENTS C20		300.00
AUTHORIZATION			BALANCE BEGINNING PERIOD 81,256.00		C21
SURVEYS TO GENERAL FUND		C07	ENDING PERIOD 89,566.00		C22
ADJUSTMENTS (IF AACD USE ONLY)		C08	FUNDS TRANSFERRED TO REC FUND C23		6,550.00
			TOTAL EXPENDITURES C24		72,516.16
			FUNDS AVAILABLE FOR TRANSFER TO REC FUND (LINE C08 MINUS C23)		8,892.88
TOTAL RECEIPTS C09		81,409.04	LIABILITIES ASSUMED AND ANTICIPATED OPERATING EXPENSES C24A		400.00
			NET FUNDS AVAILABLE FOR TRANSFER TO REC FUND (LINE C24 MINUS C24A)		C24B 8,492.88
PROFIT COMPUTATION					
OPERATING PROFIT (LINE C02 MINUS LINES C10 THROUGH C14)				C25	4,022.62
SOFT DRINK VENDING MACHINE PROFIT (LINE C03 MINUS LINES C15 AND C16)				C26	4,722.99
AMUSEMENT MACHINE PROFIT (LINE C04 MINUS LINE C18)				C27	295.68
I CERTIFY the contents are correct to the best of my knowledge and belief				Date	
J. P. [Signature]				10 FEB 19--	

INCLUDE SALES OF RETAIL ITEMS THROUGH OTHER THAN DRINK VENDING MACHINES

Figure 7-5.—Preparation of the Ship's Store Balance Sheet and Profit and Loss Statement—separate and combined responsibility (front).

<u>NET GAINS/LOSSES</u>		
<u>ACTIVITY</u>	<u>SALES</u>	<u>NET GAIN OR LOSS</u>
RETAIL STORE #1	\$49,161.80	- \$116.20
SNACK BAR (RETAIL ITEMS)	8,623.15	+ 15.75
SNACK BAR (MANUFACTURED PRODUCTS)	2,060.20	0
STANDARD NAVY CLOTHING STORE	13,865.55	- 22.63
CAN DRINK VENDING MACHINE	13,166.30	- 8.45
BULK STOREROOM	N/A	- 114.91
	\$86,877.00	- 246.44
		.28%

<u>CASH COLLECTED FROM SALE OF TRAVELER'S CHECKS</u>	
FACE VALUE OF CHECKS AND SURCHARGE	\$1,575.00
SHIP'S PROFITS	15.75
TRANSMITTED TO VENDOR	1,559.25
BALANCE OF CHECKS ON HAND	1,000.00

DAYS AT SEA -- 55
DAYS IN PORT - 68

INDICATE DAYS AT SEA
AND DAYS IN PORT DURING
THE ACCOUNTING PERIOD

IF DISPROPORTIONATE DIFFERENCE
EXCEEDS 1% OF TOTAL SALES, LETTER
REPORT REQUIRED AS PER NAVSUP P-487

Figure 7-6.—Preparation of the Ship's Store Balance Sheet and Profit and Loss Statement—separate and combined responsibility (back).

79.75

preparation of the Receipts side, the supporting documents for the Expenditures side should be in your ship's store accounts files. More detailed coverage of these procedures is contained in your NAVSUP P-487.

Profit and Loss Statement (Receipts Section)

In preparation of the Profit and Loss Statement captions, lines C01 through C09 (Receipts), you must return to your previous NACOMPT 153 to report line C01. Refer to figure 7-5. Line C02 must be taken from the cashbook of your ship's store. Information for line C03 can only be taken from your soft drink vending machines (cup type and can type). Indicate the type of soft drink machine by checking the appropriate box in section C03 of your NAVCOMPT 153. Line C04 is cash collected from amusement machines. The total amount of rebate checks received from the Navy Resale and Services Support Office for catalog sales should be entered on line C04A. Contributions, regardless of the source, should be entered on line C04B. This figure should include the amounts collected as service charges and the profits from the sales of traveler's checks.

Line C05 covers loans that have been authorized by NAVRESSO to cover the cost of equipment, such as vending machines, popcorn machines, and soft ice cream purchases. Line C05 should also include loans that have covered any improvements to the ship's store, the cost of surveys, and operating losses. An official letter request stating the purpose of the loan must be submitted to the Navy Resale and Services Support Office. After approval, NAVRESSO will charge the amount of the loan to the appropriation Ship's Store Profits, Navy (General Fund). To reimburse the General Fund, the individual ship's store must make payments from local profits. (Repayment instructions are provided by NAVRESSO.) Normally, a ship is required to repay a loan in three accounting periods. Ships having a complement of less than 350 can request authority to repay a loan in five installments. Loans to cover the cost of modernizations can be requested for a period of up to a maximum of 3 years. When approved, the loan amount should be entered as a one-time entry on line C05 for the accounting period in which the loan is received. Loan repayment should be reported on line C20 of the NAVCOMPT 153. More detailed information is contained in your NAVSUP P-487.

Line C06 covers any NAVRESSO nonreimbursable grants that are authorized by NAVRESSO to cover the cost of equipment, such as vending machines and soft ice cream machines, or operating losses. You should report all NAVRESSO nonreimbursable grants on line C06, NAVRESSO Grants, at the end of the accounting period in which you received authority for the grant. Just as you did for loans, reference the NAVRESSO letter containing the authority for the grant. The letter from NAVRESSO authorizing the grant should be referenced in the authorization block of the NAVCOMPT 153.

Line C07 covers any surveys to the General Fund. Report only the amounts that were approved by NAVRESSO as a charge to Ship's Store Profits, Navy (General Fund). Use the amounts you entered in lines B23 and B27 as your entry for line C07.

Line C08 should be reserved for the appropriate FAADC. The FAADC will use line C08 to report any adjustments.

Use line C09 to report your total receipts. The value on line C09 should represent the sum of lines C01 through C07.

Profit and Loss Statement (Expenditures Section)

Line C10 is reserved for the Cost of Sales—Retail figure you have already entered on line B21. On line C11, enter the total amount of any uncollectible checks. For line C12, Operating Expenses, report the total of lines B22, B23, and B24.

On line C13, report the amount that represents the total of Laundry Claims and Other Service Charges paid on Reimbursement Vouchers (Standard Form 1129) in settling claims for loss of or damage to personal apparel in the ship's store service activities. This figure should also include the total value of your payment notification reports (PNRs) covering laundry and dry-cleaning service charges and the total value of your payment notification reports (PNRs) covering repairs to vending machines, soft ice cream machines, popcorn machines, and ship's store stock.

Use line C14 for reporting the rate of assessment of sales that will accrue to the General Fund. On line C15, enter the Cost of Sales—Vending that you reported on line B25. Use line C16 for the Cost of Operation—Vending figure. This amount should be the sum of lines B26 and B27, and if applicable, the added entry on B27A.

Use line C17 to report Excess Profits. This amount will be the amount on line C25 minus 15 percent of the amount on line C10. The figure you should enter on line C18, Equipment Purchases, will represent the total value of payment notification reports (PNRs) for equipment such as modernization materials, vending machines, soft ice cream machines, and remittances to contractors for amusement machine sales and other services and materials that you have procured as a direct charge to ship's store profits.

Line C19 should contain the total amount of remittances paid to contractors for leased amusement machines. The figure represents the amount that must be forwarded to contractors by means of checks issued from your disbursing officer. The total amount of these checks should be charged to Ship's Store Profits, Navy, at the end of each month.

The figures on lines C20 and C21 represent the amounts prescribed by NAVRESSO that must be repaid toward the loans that were authorized for your ship's store. The balance at the beginning and ending of the accounting period should be entered in the spaces provided. The figure in the space for the Ending Period will usually represent the total amount of the loan at the Beginning Period minus the amount entered on line C20 (the monthly repayment amount remitted to NAVRESSO).

Use line C22 to report the total value of the amount entered on the NAVCOMPT 2277s covering the funds that will be transferred to the Recreation Fund. The figure for line C23 should represent the sum of lines C10 through C20, and line C22. In other words, line C23 represents Total Expenditures.

On line C24, enter the amount of funds available for transfer to the Recreation Fund. To reach this figure, you must first subtract line C23 (Total Expenditures) from line C09 (Total Receipts). Next, subtract the figure on line C24A (the total amount of Liability Assumed/Anticipated Operating Expenses) from the amount on line C24. You should end up with the amount on line C24B. Line C24B represents the net amount of funds available for transfer to the Recreation Fund. Remember, only the difference between the amount from receipts you have reported on line C24 (Funds Available for Transfer to the Recreation Fund) and the amount you have entered on line C24A (Liability Assumed/Anticipated Operating Expenses) will represent the actual amount that can be transferred to the Recreation Fund (line C24B).

Profit Computations

For profit computations, the amount on line C25, Operating Profit, should represent the amount on line C02 minus the total of lines C10 through C14. Line C26, Cup-Type Drink Vending Machine Profit, will be the amount on line C03 minus the amount for lines C15 and C16. Line C27 is the amount reported on line C04 minus the amount on line C19. This is the actual amusement machine profit.

Certification Statement

The ship's store officer must sign and date the bottom of the front side of the NAVCOMPT 153 directly under the certification, "I certify that this statement is correct to the best of my knowledge and belief."

Additional Requirements

Whenever applicable to your ship's store, you must report the following information on the reverse side of the NAVCOMPT 153. See figure 7-6.

1. Net gains and losses (as outlined in your NAVSUP P-487).

2. The amount from sales of traveler's checks. Use the following format to derive this figure:

Cash Collected from Sales of Traveler's Checks:

Face value of checks and surcharges	_____
Ship's profit	_____
Transmittal to vendor	_____
Balance of checks on hand	_____

3. The numbers of days the ship was in port and the number of days the ship was at sea during the accounting period.

Distribution of the NAVCOMPT 153

After you are certain that your NAVCOMPT 153 is correct, you must distribute this document as follows:

1. Original and one copy to the appropriate FAADC, substantiated as indicated later in this

chapter and in your NAVSUP P-487. (The FAADC will forward one copy of the NAVCOMPT 153 to NAVRESSO.)

2. One copy to the commanding officer.

3. Two copies to the special services officer within 15 days following submission of the returns whether or not profits are available for transfer. (These copies will be filed with the special services of officer's records for recreational fund audits.)

4. One copy filed with the retained returns.

ASSEMBLING AND SUBSTANTIATING THE RETURNS

Now that you have entered all the required information on the NAVCOMPT 153, you must substantiate and assemble your ship's store returns. You can perform both the assembling and substantiating of ship's store returns at the same time. Table 7-1 lists the documents that you are required to use to substantiate your ship's store returns.

Table 7-1.—Procedures for Ship's Store Returns

BALANCE SHEET

NAVCOMPT Form 153

<u>LINE AND CAPTION</u>	<u>RETURNS TO FAADC</u>	<u>RETAINED RETURNS</u>
<u>RECEIPTS SECTION</u>		
RECEIPTS WITH CHARGE		
Purchase (Line B01)	Receipt documents are not required to be submitted with returns. (Receipt documents are forwarded to FAADCPAC or FAADCLANT monthly.)	Copy of all receipt documents signed by the responsible custodian.
INVENTORY ADJUSTMENTS		
Gain by Inventory (Standard Navy Clothing) (Line B02)	DD Form 1149—signed original.	DD Form 1149—copy.
FINANCIAL ADJUSTMENTS		
Gain by Purchase Variance (Line B03)	NAVSUP Form 983—signed original.	NAVSUP Form 983—copy.
Gain by Standard Price Adjustment (Line B04)	NAVSUP Form 983—signed original.	NAVSUP Form 983—copy.
RECEIPTS FROM OTHER SUPPLY OFFICERS		
Ship's Store (Line B05)	Receipt documents are not required to be submitted with returns. (Receipt documents are forwarded to FAADCPAC or FAADDCLANT monthly.)	Copy of all receipt documents signed by the responsible custodian.
Standard Navy Clothing (Line B05A)	Same as line B05.	Same as line B05.

Table 7-1.—Procedures for Ship's Store Returns—Continued

BALANCE SHEET—CONTINUED

NAVCOMPT Form 153

<u>LINE AND CAPTION</u>	<u>RETURNS TO FAADC</u>	<u>RETAINED RETURNS</u>
<u>EXPENDITURES SECTION</u>		
ISSUES WITH REIMBURSEMENT		
Issues to Use (Line B10)	DD Form 1149—signed original and one copy	DD Form 1149—copy.
	NAVSUP Form 28/28A and/or DD Form 504—two copies.	NAVSUP Form 28/28A and/or DD Form 504—one copy.
Issues in Kind (Line B11)	DD Form 1149—signed original.	DD Form 1149—copy.
	DD Forms 1842 and 1845 and NAVSUP Form 28/28A—two copies.	DD Forms 1842 and 1845 and NAVSUP Form 28/28A partial issues—one copy; final issues—original.
Bulk Sales (Line B12)	DD Form 1149—copy (priced and extended).	DD Form 1149—copy.
Standard Navy Clothing Sales (Line B13)	DD Form 1149—two copies of each monthly Memorandum Cash Sale Invoice Deposit of Cash with the Disbursing Officer. (See line C02.)	DD Form 1149—original of each monthly Memorandum Cash Sale Invoice Deposit of Cash with the Disbursing Officer. (See line C02.)
INVENTORY ADJUSTMENTS		
Loss by Inventory (Standard Navy Clothing) (Line B14)	DD Form 1149—signed original.	DD Form 1149—copy.
Surveys to NSF (Ship's Store) (Line B15)	DD Form 200—signed original.	DD Form 200—copy.
Surveys to NSF (Standard Navy Clothing) (Line B16)	DD Form 200—signed original.	DD Form 200—copy.
FINANCIAL ADJUSTMENTS		
Loss by Purchase Variance (Line B17)	NAVSUP Form 983—signed original.	NAVSUP Form 983—copy.

Table 7-1.—Procedures for Ship's Store Returns—Continued

BALANCE SHEET—CONTINUED

NAVCOMPT Form 153

<u>LINE AND CAPTION</u>	<u>RETURNS TO FAADC</u>	<u>RETAINED RETURNS</u>
<u>EXPENDITURES SECTION—CONTINUED</u>		
FINANCIAL ADJUSTMENTS—CONTINUED		
Loss by Standard Price Adjustment (Line B18)	NAVSUP Form 983—signed original.	NAVSUP Form 983—copy.
TRANSFERS TO OTHER SUPPLY OFFICERS		
Ship's Store (Line B19)	NAVCOMPT Form 176—original with two copies of the transfer invoices attached. Adding machine tapes must be attached to invoices.	NAVSUP Form 176—copy with one copy of the transfer invoice attached.
Standard Navy Clothing (Line B19A)	Same as line B19.	Same as line B19.
RETAIL OPERATION		
Cost of Sales (Line B21)	No document is required.	No document is required. Substantiation is on the NAVSUP Form 978.
Cost of Operations (Line B22)	No document is required. Substantiation is on the NAVSUP Form 978.	DD Form 1149—original
Survey to Profits (Line B23)	DD Form 200—signed original.	DD Form 200—copy.
Markdowns Below Cost (Line B24)	NAVSUP Form 983—signed original. (Including markdowns to zero.)	NAVSUP Form 983—copy. (Including markdowns to zero.)
DRINK VENDING MACHINE OPERATION		
Cost of Sales (Line B25)	No document is required.	No document is required. Substantiation is on the NAVSUP Form 236.
Cost of Operations (Line B26)	No document is required.	DD Form 1149—signed original.
Surveys to Profits (Line B27)	DD Form 200—signed original.	DD Form 200—copy.
Markdowns Below Cost (Line B27A)	NAVSUP Form 983—signed original. (Including markdowns to zero.)	NAVSUP Form 983—copy. (Including markdowns to zero.)

Table 7-1.—Procedures for Ship's Store Returns—Continued

PROFIT AND LOSS STATEMENT

NAVMCOMPT Form 153

<u>LINE AND CAPTION</u>	<u>RETURNS TO FAADC</u>	<u>RETAINED RETURNS</u>
<u>RECEIPTS SECTION</u>		
SALES PER CASHBOOK		
Retail (Ship's Store Only) (Line C02)	DD Form 1149—two copies of each monthly Memorandum Cash Sale Invoice Deposit of Cash with the Disbursing Officer.	DD Form 1149—original of each monthly Memorandum Cash Sale Invoice Deposit of Cash with the Disbursing Officer.
Drink Vending Machine (Line C03)	See line C02.	See line C02.
Cash from Amusement Machine Sales (Line C04)	See line C02.	See line C02.
Rebate Checks from Exchange Catalog Sales (Line C04A)	See line C02.	See line C02.
Contributions and Service Charges (Line C04B)	See line C02.	See line C02.
NAVRESSO LOANS (Line C05)	No document is required.	NAVRESSO letter authorizing the loan.
NAVRESSO GRANTS (Line C06)	No document is required.	NAVRESSO letter authorizing the grant.
<u>EXPENDITURES SECTION</u>		
SURVEYS TO GENERAL FUND (Line C07)	DD Form 200—signed original.	DD Form 200—copy.
DISHONORED CHECKS (Line C11)	DD Form 1149—signed original with original uncollectible checks attached.	DD Form 1149—copy with copy of uncollectible checks attached.
LAUNDRY CLAIMS AND OTHER SERVICE CHARGES (Line C13)	<u>For Laundry Claims</u>	
	Standard Form 1129—copy.	Standard Form 1129—copy with copy of the claim.
	<u>Other Service Charges</u>	
	Payment notification report (PNR)—copy.	Payment notification report (PNR)—copy.

Table 7-1.—Procedures for Ship's Store Returns—Continued

PROFIT AND LOSS STATEMENT—CONTINUED

NAVCOMPT Form 153

<u>LINE AND CAPTION</u>	<u>RETURNS TO FAADC</u>	<u>RETAINED RETURNS</u>
<u>EXPENDITURES SECTION—CONTINUED</u>		
EQUIPMENT PURCHASES (Line C18)	Payment notification report (PNR)— copy.	Payment notification report (PNR)—copy.
DISBURSEMENTS TO AMUSEMENT MACHINE CONTRACTORS (Line C19)	NAVCOMPT Form 2277—copy.	NAVCOMPT Form 2277— copy.
LOAN REPAYMENTS (Line C20)	No document required.	Same as line C05.
FUNDS TRANSFERRED TO RECREATION FUND (Line C22)	NAVCOMPT Form 2277—copy.	NAVCOMPT Form 2277— copy.

OTHER DOCUMENTS REQUIRED FOR RETAINED RETURNS

RECEIPTS	NAVSUP Form 977—original.
EXPENDITURES	NAVSUP Form 978—original.
FINANCIAL CONTROL RECORDS	NAVSUP Form 235—original. inventory Discrepancy List—original. (Attached to NAV- SUP Form 235.) NAVSUP Form 236—signed original.
INVENTORIES	NAVSUP Form 238—yellow working copy. Price Line Inventory Count Sheet—signed original. NAVSUP Form 1234—signed original.
BREAKOUTS	NAVSUP Form 973—signed original. NAVSUP Form 980—original.
PRICE ADJUSTMENTS	NAVSUP Form 983—signed original. (For markons, markdowns, and markdowns to cost.)
CASH COLLECTION RECORDS	NAVSUP Form 469—signed original. NAVSUP Form 470—signed original.
MANAGEMENT REPORTS	Ship's Store Management Report—original (signed by supply officer and commanding officer).

Make certain that all your reporting documents are legible. Remember, you must send the signed original and one copy of the Ship's Store Balance Sheet and Profit and Loss Statement (NAVCOMPT 153) with the required substantiating documents to the appropriate FAADC.

Make Up of Original (Forwarding) and Retained Returns

When assembling and substantiating your returns, you should make up both your retained and forwarding returns together. This strategy will allow you to double-check all figures on the substantiating documents and to make certain you have copies for both sets. When assembling your returns, make two stacks and compile both as you go along, making sure that both stacks contain exactly what your NAVSUP P-487 requires.

Table 7-1 was presented for your convenience. Carefully read through the information in the table. Follow the sequence given when you are substantiating and assembling your ship's store returns.

As indicated in the table, all documents that you include in the original (forwarding) returns you will also include in the retained returns. However, you will need to include some additional

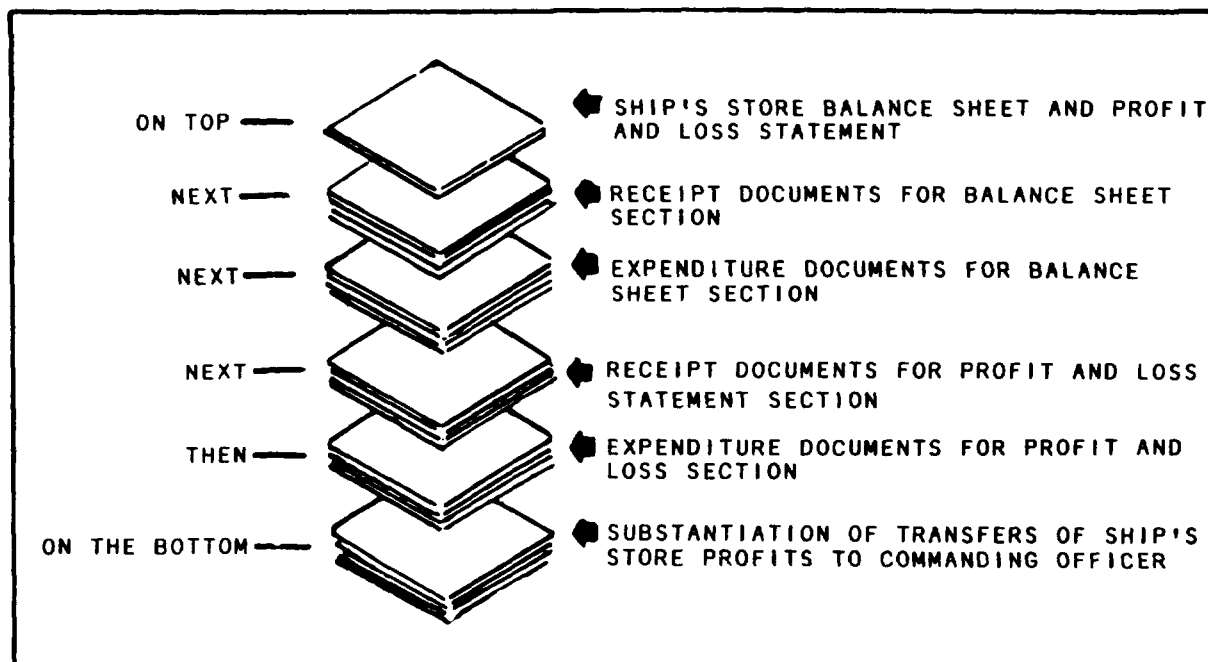
information in your retained returns. For example, all documents in the accountability file of the current accounting period that you did not include in the original returns must be included in the retained returns. Any list of discrepancies, as required in NAVSUP P-487, must also be placed in the retained returns. However, do not file the ending inventories in the current retained returns. Carry the ending inventories forward into the accountability file of the next accounting period.

Arrangement of Original and Retained Returns

As indicated earlier, the original and retained returns should be arranged in the same order. Whether the returns are prepared for submission or for filing, the arrangement is always the same.

The required documents that must be included with the retained returns, but not submitted with the original returns, should be filed at the bottom of the retained returns. In the case of large ships, these additional documents can be maintained in a separate folder or box.

The arrangement you should use for all returns is shown below.



Forwarding of Original Returns

For forwarding the required originals and copies of your ship's store returns to the appropriate FAADC, pack the returns unfolded and flat. Keep in stock the heavy corrugated fiber boxes that are designed for packaging of returns. If a box of this type is not available, use a light canvas container with sewn or waxed edges. Use wooden boxes only when your returns are too heavy or bulky for the fiber boxes. On the other hand, you can use a heavy envelope if your returns are no larger than an ordinary letter.

In addressing the packages, place the name of your activity in the upper left corner of each package. Next, the name of the ship's store officer and the name and unit identification code of the ship should be shown. Under this information, the following statement should appear: "Ship's store returns for period ending _____ 19 _____. " If two or more packages are used, the number of the package and a brief description of the contents should be shown on the last line.

Now you must forward the returns to the appropriate FAADC. For returns weighing 13 ounces or less, use First-Class Mail. Use Military Official Mail (MOM) for returns weighing over 13 ounces. For service designator R, forward the returns to

Fleet Accounting and Disbursing Center
U.S. Pacific Fleet (Code AF3-2)
937 North Harbor Drive
San Diego, CA 92132

For service designator V, forward the returns to

Fleet Accounting and Disbursing Center
U.S. Atlantic Fleet (Code FOFA-42)
Building 132
Norfolk, VA 23511

FORWARDING LATE DOCUMENTS.— At times, you may receive documents after you have submitted the returns for that accounting period. Any documents you receive subsequent to your forwarding of the returns for the accounting period you have just completed must also be forwarded with a letter of transmittal to the appropriate FAADC. You should label these documents to indicate the name of the ship's store officer who is rendering the returns, the ship's store returns, the accounting period to which the documents are applicable, and the name and unit

identification code of the ship. See your NAVSUP P-487 for detailed instructions.

ADJUSTMENT TO AMOUNTS REPORTED ON PREVIOUS SHIP'S STORE RETURNS.— When you must make an adjustment of receipts because of estimated receipt prices, forward the priced invoice to the appropriate FAADC in support of the adjusted amount recorded on the current Ship's Store Balance Sheet and Profit and Loss Statement (NAVCOMPT 153).

FORWARDING CORRECTIONS TO RETURNS.— When corrections to returns are necessary after the returns have been submitted (i.e., an incorrect inventory figure, an incorrect figure for receipts or markdowns below cost, etc., were reported), you must take the following steps immediately:

1. Prepare a corrected NAVCOMPT 153 reflecting the changes.
2. Forward to the appropriate FAADC the corrected NAVCOMPT Form 153 along with the substantiating documents for those captions that were changed.

FORWARDING MERGED RETURNS.— As mentioned earlier, if the total of the merged period does not exceed 5 consecutive months, you can merge the returns for a fractional period with the returns for the previous or subsequent period upon written authorization from the commanding officer except for the returns for the period ending 30 September. When you determine that the returns must be merged, forward copies of the written authorization immediately to NAVRESSO, the appropriate FAADC, and the Navy Regional Finance Center, Washington, D.C. When you must merge the returns for the period from 1 September to 31 October, forward a request for exception to NAVRESSO with a copy to the appropriate FAADC and the Navy Regional Finance Center, Washington, D.C. You must include the original of the letter authorizing the merged returns when you submit the returns to the FAADC.

DELAYS AND DELINQUENCIES.— If for some reason the returns cannot be submitted on or before the date they are required to be submitted, the commanding officer must forward a letter to the appropriate type commander explaining the reason for the delay and the anticipated

mailing date for the late returns. A copy of the letter must be forwarded to the Naval Supply Systems Command (Deputy Commander, Programming and Financial Management, Comptroller), to the appropriate FAADC, and to NAVRESSO.

FORWARDING A COPY OF THE RETURNS FOR THE NAVY SUPPLY CORPS SCHOOL.— To help provide current training aids for officer students preparing for shipboard duty, you should mail one copy of the Ship's Store Balance Sheet and Profit and Loss Statement (NAVCOMPT 153) for the accounting period ending 30 September to the following address:

Navy Supply Corps School
Code 45
Athens, GA 30606

Disposition of Retained Returns

All ship's store and clothing retained returns should be retained on board for a period of 2 years. After 2 years, the retained returns can be destroyed according to guidelines in *Disposal of Navy and Marine Corps Records*.

When the ship's store officer is relieved at the end of the accounting period, the ship's store officer who is being relieved and the relieving ship's store officer will both conduct a complete inventory. Ship's store returns that are approved by both ship's store officers will then be prepared, submitted, and retained as described earlier.

When the ship's store officer is relieved sometime within an accounting period and the merging of returns is not possible, the ship's store officer who is being relieved must make certain that all funds have been collected and deposited for the period of accountability. Next, a physical inventory is taken and all the records are balanced but not closed. When satisfied that financial accountability has been established, the relieving officer will receipt for the vouchers that were processed by the relieved officer but were not received until after the end of the last accounting period. The relieving officer will then submit a return at the end of the normal accounting period.

If the relieving officer is not satisfied with the records, the commanding officer can direct the relieved officer to close the accounts and render the ship's store returns for the relieved officer's period of accountability only. In these ways, the retained records and returns serve to establish and transfer accountability in the ship's store.

ANALYSIS OF SHIP'S STORE OPERATIONS

Just as the ship's store records and returns are used in the establishing and transferring of accountability from one person or activity to another, the returns also serve as a valuable management tool for the improvement of ship's store operations. Once you have closed out the records and submitted the returns, it is time to sit back and take a careful look at your ship's store operation. How effective has your ship's store been this accounting period in carrying out its goals? You can find answers for certain questions from the data you have entered in your ship's store returns. Some guidelines you can use for analyzing your ship's store returns from a management point of view are presented in this section.

INTERNAL ANALYSIS

As a senior Ship's Serviceman, you will be expected to assist the ship's store officer in analyzing the completed NAVCOMPT 153. Some of the following factors should be taken into consideration. Each of these factors is an important aspect of your ship's store operation.

Sales-Stock Ratio

As described in chapter 4, your sales-stock ratio is computed so that you can determine the efficiency of your ship's store in maintaining an optimum stock level over a given period of time. A 1.33 to 1 ratio of sales at cost price to beginning inventory, less standard clothing items, is the requirement for a 4-month accounting period. You obtain your stock turn figure by dividing your cumulative of expenditures for the number of months covered by the beginning inventory. You must take the opening inventory figure from the NAVCOMPT 153. The cumulative expenditures are contained in lines B19, B21, B23, B24, B26, and B27 on your NAVCOMPT 153. If you find that your stock turn ratio is significantly less than 1.33, you should determine the cause and take the steps to improve your ratio. Start with a complete check of your stock on hand.

You have just completed and closed out your records so you now have an itemized inventory

to work with. Check the items in your stores with the stock in your bulk storeroom to ensure that everything you have on board is available to the crew. After you are satisfied in that area, you can check for dead stock and excess stock. Remember, both dead stock and excess stock may be disposed of by transfer, markdown, or return to the vendor. On the other hand, sales may have decreased in your ship's store for some other reason. Perhaps you should consider new types of merchandise, better displays, or even conducting special sales to move the stock out.

Markups

The markup over cost or transfer price of items to be sold in the retail store(s) and service activities is the responsibility of the ship's store officer. However, in the final determination of your retail prices, you, as the senior Ship's Serviceman, must consider any transportation service charges. For determining retail prices when transportation service charges are applicable, consult the guidelines set forth in your NAVRESSO P-81.

You must also determine if and how your retail prices should be rounded off. Give proper consideration to the convenience and efficiency with which sales can be made in long lines, such as the ice cream and fountain lines. Rounded-off prices could really increase efficiency in these cases.

The ship's store officer will prescribe the percentage of markup to be applied to special order items. The pricing policy for foreign merchandise is officially prescribed in your NAVSUP P-487. Consult the NAVSUP P-487 for guidance.

Operation Expenses

Operation expenses include the costs of any items you need to operate your ship's store activities. The term *cost of operation* has probably been familiar to you from your first day in any ship's service activity. In fact, you probably remember hearing your supervisor constantly referring to the cost of operation during training lectures. (Your supervisor was trying to coach you to keep the costs down.)

Cost of operation items are consumed directly in the performance of a service to patrons and include all items used by service activities, such as the laundry, barbershop, and tailor shop. Cost of operation items also include repair parts used for vending machines and ice cream machines. The term *cost items* includes those items of ship's store stock that are carried for ultimate expenditure as cost of operation materials for modernization and improvements of ship's stores. Cost items also include any cost of sales items that require further processing or manufacturing before sale. Examples of cost of sales items would include fountain ingredients, soft drink syrup, carbon dioxide gas (CO₂), straws, spoons, and paper cups. From an analysis of your ship's store records, are these costs reasonable? Can they be cut?

Vending Machines, Amusement Machines, and Dollar Bill Changers

All vending machines, including machines located in authorized messes, must be operated as a service activity of the ship's store. Money boxes must be secured according to the rules set forth in your NAVSUP P-487.

The ship's store officer is responsible for the collection and deposit of any funds received from sales in your vending machines. You, however, must make certain that all cash from sales in your vending machines is collected and recorded separately from sales in the retail store and sales in the fountain. You must see that the cash from your vending machines is collected daily and any time before you have any repairs made to the coin mechanisms. When conditions make it impossible for the ship's store officer or designated collection agent to collect the cash from the vending machines, you, or the vending machine custodian, may take the following actions for each machine:

1. Take the meter reading.
2. If the meter is not installed, compute the units sold using the formula outlined in your NAVSUP P-487.
3. Remove the locked money box from each vending machine. Deliver the locked money box (with the meter reading or a computation of

units sold) to the person designated to collect the cash.

The cash must be counted in the presence of the vending machine custodian and the designated collection agent. The agent must make certain that the vending machine collections agree with either the meter reading or the number of units sold for each individual machine. During your internal analysis of the ship's store records and returns, make certain that this procedure is strictly adhered to in your ship's store. Also, make certain that your records are accurate and complete.

LEASED AMUSEMENT MACHINES.— To install and use any leased amusement machines in your ship's store, you will need approval by technical experts in the ship's force. These technicians will make certain that the machines are compatible with your shipboard and electronic systems. Money boxes in leased amusement machines should be secured in the same manner as they are in your other vending machines. The total amount of amusement machine collections should be deposited with the disbursing officer according to the procedures outlined in your NAVSUP P-487. Upon preparation of the Memorandum Cash Sale invoice Deposit of Cash with the Disbursing Officer, you must include on the DD 1149 the total amount of collections from amusement machines as a contribution to Ship's Store Profits, 178723. At the end of each month, request a check from the disbursing officer as a charge to 17X8723.2301, SSPN, transaction type 21, functional account 75400, in an amount equal to the contractor's share of the amusement machine collections. Report the amount of the checks on line C18 of your NAVCOMPT 153 at the end of the accounting period.

Meters must be installed on each machine to reflect the total cash receipts in each machine. The meter reading should be taken each time cash is collected from a machine. At this time, try to determine if the machine is functioning properly. Does the cash collected balance with the meter reading? Make sure that all meter readings are entered in the appropriate column of the NAVSUP 469.

According to the terms of your lease agreement, a check amounting to the contractor's share of total cash collected must be remitted to the contractor on a monthly basis. Send a letter of

transmittal along with the check, and include the following information:

1. Period covered for each machine
2. Current meter readings
3. Previous meter readings
4. Number of plays
5. Contractor's remittance

DOLLAR BILL CHANGERS.— After installation of dollar bill changers has been approved by the type commander, make certain that the appropriate procedures are followed.

● Are dollar bill changers in a high traffic and well-illuminated area?

● Is the machine safeguarded with a wire mesh screen or a lockable restraining bar across the front of the coin box area?

● Has a separate change fund been established for the dollar bill changer according to the rules set forth in the NAVSUP P-487?

The person designated to pick up the ship's store sales should also be the person responsible for the machine. Have the machine emptied and refilled as frequently as necessary and at the close of each business day. Use a separate page in the NAVSUP 470 to record each transaction and validate the accuracy of the change fund each time the machine is opened or refilled. Overages and shortages in the machine will show up on the NAVSUP 470 and must be initialed by the ship's store officer as discrepancies occur.

Ship's Store Profits, Navy

Ship's Store Profits, Navy (SSPN), is a trust fund carried on the books of the Treasury Department. Monies in this account accrue from sales in ship's stores. The net ship's store profit that is generated during a single accounting period must not exceed 15 percent of the cost of retail sales. The 15 percent profit margin has been set forth under the provisions of Title 10 U.S. Code 7604. The profits derived from retail sales in the ship's store are the basic source of the funds that are made available for the commanding officer to use on expenditures

for the Recreation Fund. Such funds become available for expenditures for specific purposes. These funds must be expended within the discretion of and under regulations prescribed by the Secretary of the Navy. Profits generated by the ship's store during an accounting period must be transferred according to guidelines in NAVSUP P-487. Use a NAVCOMPT 2277 to cover the amount of ship's store profits that will be transferred to the Recreation Fund. Check your NAVSUP P-487 for additional details.

EXTERNAL ANALYSIS

While you are using your ship's store records and returns to determine ways to improve your ship's store operations, your returns will also be audited and analyzed by external organizations. The ways in which the FAADCS and NAVRESSO will analyze the information you have submitted on your ship's store returns are discussed below.

FAADC Analysis

Once you submit your ship's store returns to the appropriate FAADC (FAADCLANT or FAADCPAC), the FAADC does not just file away the returns. Just as you derive certain auditing and management information from your ship's store returns, the FAADC also conducts an audit of the returns. Besides auditing your ship's store returns, the FAADC performs the following functions:

- Maintains files and reconciles documents for receipts from purchase and receipts from other supply officers
- Effects reconciliation of all cash reported in ship's store returns
- Effects payment of dealers' bills

When the FAADC audits your returns, the auditors pay close attention to the headings on your NAVCOMPT 153, your opening and closing inventories, and the funds brought forward. Substantiation of all entries is very important. Substantiation is checked very closely. All loans and grants must be covered by authorization documents and repayment plans.

Besides the submission of your returns, you must also provide the FAADC with required receipts documents. The FAADC will file and reconcile these documents as part of the external analysis of your ship's store operation. On a monthly basis, you must forward one legible copy of each receipt document covering receipts by purchase (DD 1155) and receipts by transfer (DD 1149, 1348, and 1348-1) under a letter of transmittal. These documents must be forwarded as follows:

For service designator R:

Fleet Accounting and Disbursing Center
U.S. Pacific Fleet (Code AF3-2)
937 North Harbor Drive
San Diego, CA 92132

For service designator V:

Fleet Accounting and Disbursing Center
U.S. Atlantic Fleet (Code FOFA-42)
Building 132
Norfolk, VA 23511

Receipt documents covering transactions for the month must be separated by purchase and transfer documents (each with an attached adding machine tape listing cost price) and must be mailed no later than 7 days after the end of each month. Documents should be securely packaged in envelopes or boxes. The name, address, and unit identification code of the ship should appear in the upper left corner of each package, under which will be "Receipt documents for the month of _____. " If two or more packages are used, the number of the package should be included. A copy of the letters of transmittal and adding machine tapes must be filed with the retained returns. If no transactions occurred during a month, a negative letter report should be forwarded to FAADCLANT or FAADCPAC for that month. Procedures for adjustments to receipt documents are outlined in NAVSUP P-487.

NAVRESSO Analysis

The Navy Resale and Services Support Office (NAVRESSO) uses the information you submit in the NAVCOMPT 153 to prepare an analysis of your ship's store operation. See

figure 7-7. NAVRESSO then submits the analysis to your type commander. The type commander uses the analysis to evaluate your ship's store operation. In this way, the type commander can spot any ship's store that might be in trouble and in need of help. On the bottom part of the operations analysis statement, NAVRESSO provides comments that are directed specifically to the type commander for guidance.

The primary purpose of the operational analysis is to point out stock turn and performance errors in other phases of your ship's store operation. NAVRESSO derives the analysis of your ship's store operation by using your figures on the NAVCOMPT 153 and the following formulas. (Refer to the caption numbers on the Operational Analysis report in figure 7-7.)

Ship's store stock turn equals the total of captions 2 (cost of retail sales), 5 (operating expenses), 9 (bulk sales), 10 (transfers to O.S.O.), 12 (cost of sales—VM), and 13 (cost of operating VM) divided by the ship's store opening inventory (caption 20).

Gross profit equals retail sales (caption 1) minus cost of retail sales (caption 2).

Average sales per person/per month (at cost) equal a total of captions 2 (cost of retail sales), 5 (operating expenses), 12 (cost of sales—VM), and 13 (cost of operating VM) divided by the number of persons supported (caption 22).

Vending machine profit percentage equals vending machine profit (caption 14) divided by drink vending machine sales (caption 11).

Amusement machine profit percentage equals amusement machine profit (caption 16) divided by amusement machine sales (caption 15).

Notice that stock turn is based on the opening or closing inventory only rather than on the average inventory for the period. As ship's stores are on a 4-month accounting period rather than a monthly accounting period, the use of an average inventory will not significantly alter the stock turn. For this reason, NAVRESSO uses the opening or closing inventory in the operational analysis.

Among the comments, the most common complaint is the failure of a ship's store to meet the 1.33 stock turn ratio. This error usually results whenever a ship's store holds too much inventory in relation to sales. Upon examination of ship's store returns, NAVRESSO has found that when ships repeatedly fail to meet the required stock

turn, these ships are usually overstocked on certain items.

The operational analysis is designed to help you to improve your ship's store operation. If you are having problems or if you simply desire more information to keep your ship's store up-to-date, remember that NAVRESSO is only a telephone call away. NAVRESSO is always ready and willing to give you assistance.

OPERATIONAL OBJECTIVES

Whenever you conduct your own internal analysis of your ship's store operation from your records and returns or you receive the results of an external analysis, the following management objectives will serve as excellent guidelines for an operationally sound ship's store. Review these guidelines periodically as you review your own records and returns. Throughout your ship's store operation, use these guides to achieve your desired operating results.

1. You are required to make four stock turns per year. You will attain this annual goal by achieving a stock turn of at least 1.33 per accounting period.

2. Conduct a monthly review of all stock and all stock records.

3. You must attain a gross profit of approximately 15 percent to cover your general operating expenses, such as the General Fund assessment, cost of operations, markdowns, and surveys, and so you will not jeopardize your profits available for transfer to the Recreation Fund.

4. Maintain the cost of operations expense at 2.5 percent, but not more than 5 percent of sales per accounting period.

5. Your canned-drink vending machine profit is based on the cost and selling price of sodas. Your can-type soft drink net vending machine profit should be at least 32 percent of your can-type soft drink vending machine sales.

6. Use the guidelines in the NAVSUP P-487 to attain your planned operating profit for the fountain service operation.

7. Maintain an in-stock position of all items of reoccurring demands. Keep your inventories within the prescribed limits.

**NAVY RESALE AND SERVICES SUPPORT OFFICE
SHIP'S STORES AFLOAT OPERATIONAL ANALYSIS**

Activity No.
Ship's UIC

Hull Type

Hull No.

Name
USS - - - - -

Period Ending
31 Jan 19--

DESCRIPTION	NAVCOMPT 153 CAPTION	ACTUAL FOR TRIANNUAL PERIODS ENDING					
		31 May	% RETAIL SALES	30 Sep	% RETAIL SALES	31 Jan	% RETAIL SALES
1 RETAIL SALES	C02	29,160		60,842		59,845	
2 COST OF RETAIL SALES	C10	25,252		52,840		52,039	
3 GROSS PROFIT	-	3,908	13.4 %	8,002	13.2 %	7,806	13.0 %
4 DISHONORED CHECKS	C11	0		0		0	
5 OPERATING EXPENSES	C12	672		1,412		1,378	
6 LAUNDRY CLAIMS/SERVICE CHARGES	C13	0		17		10	
7 GENERAL FUND ASSESSMENT	C14	1,166		2,433		2,393	
8 OPERATING PROFIT	C23	2,070	7.1 %	4,140	6.8 %	4,022	6.7 %
9 BULK SALES	B12	0		143		100	
10 TRANSFER TO OTHER SUPPLY OFFICES	B19	0		134		171	
11 DRINK VENDING MACHINE SALES	C03	9,846		13,495		13,166	
12 COST OF SALES - VENDING MACHINE	C15	6,209		8,419		8,275	
13 COST OF OPERATING VENDING MACHINES	C16	93		173		167	
14 VENDING MACHINE PROFIT	C26	3,544	36.0 %	4,903	36.3 %	4,722	35.9 %
15 AMUSEMENT MACHINE SALES	C04	328		472		440	
16 AMUSEMENT MACHINE PROFIT	C27	220	67.1 %	316	67.0 %	295	67.0 %
17 REBATE FROM EXCHANGE CATALOG SALES	C04A	0		134		127	
18 TOTAL PROFIT (CAPTIONS 8-14-16-17)		5,834		9,493		9,166	
19 MAXIMUM AUTHORIZED INVENTORY		24,300	STOCK TURN	45,300	STOCK TURN	37,200	STOCK TURN
20 OPENING INVENTORY	B07	24,220	1.33	38,963	1.62	41,352	1.50
21 CLOSING INVENTORY	B28	38,963		41,352		33,013	
22 NUMBER OF PERSONS SUPPORTED		450		450		450	
23 NUMBER OF DAYS AT SEA		0		82		55	

CAPTIONS 2, 5, 9, 10, 12, 13 DIVIDED BY OPENING INVENTORY = STOCK TURN

OPERATIONS COMMENTS - NAVRESSO

- ☒ INVENTORY INCREASE OF \$ 12,900 FOR DEPLOYMENT
☒ SHIP REPORTED SHORTAGE OF \$ 131 OVERAGE OF \$ _____
☐ 1.33 STOCK TURN WAS NOT ATTAINED
☐ GROSS PROFIT ERRATIC ACCOUNTING/INVENTORY RECORDS SHOULD BE VERIFIED
☐ OPERATING LOSS REPORTED

MANAGEMENT OBJECTIVES

FOUR STOCK TURNS PER YEAR/1.33 EACH ACCOUNTING PERIOD
 GROSS PROFIT SHOULD BE AT LEAST 13% TO COVER GENERAL
 OPERATING EXPENSES, SUCH AS GENERAL FUND ASSESSMENT, COST
 OF OPS. MARKDOWNS, SURVEYS, ETC. AND NOT JEOPARDIZE
 PROFITS FOR TRANSFER TO RECREATION FUND
 CAN-TYPE 80FT DRINK VENDING MACHINE PROFIT SHOULD BE
 AT LEAST 32% OF SALES

FOR USE BY ACTIVITY

DP118

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Figure 7-7.—Ship's Store Afloat Operational Analysis.

MAKE ALL ENTRIES IN CASHBOOK
ON THE SAME DAY CASH IS COLLECTED
OR TRANSFERRED

CASHBOOK								
Month of January 19__								
Date	From or To	Cash Brought Forward	Collections			Total	Transfer to D. O.	Balance on Hand
			Store	V. Mach.	Other			
1	B. F.	26.32				26.32		26.32
2	COLLECTIONS		22.00			22.00		48.32
7	ICE CREAM				21.00	21.00		69.32
7	COLLECTIONS			31.00		31.00		100.32
A money count has been made. The balance on hand agrees with the book. <i>Lauren H. Stanley, ENS, USN</i>								
9	COLLECTIONS		19.00		2.00	21.00		121.32
14	COLLECTIONS <i>H. J. S.</i>		42.00		42.00	42.00		163.32
14	COLLECTIONS			42.00		42.00		163.32
14	ICE CREAM				19.50	19.50		182.82
A money count has been made. The balance on hand agrees with the book.								

CASHBOOK								
Month of January 19__								
Date	From or To	Cash Brought Forward	Collections			Total	Transfer to D. O.	Balance on Hand
			Store	V. Mach.	Other			
28	ICE CREAM				12.70	12.70		502.19
30	TRANSFER TO D. O.						502.19	
31	COLLECTIONS		46.65	27.00	4.00	77.65		77.65
	TOTAL	26.32	226.50	160.50	166.50	579.84	502.19	
The total cash as reflected in the "Balance on Hand" column agrees with the cash actually on hand. <i>H. J. Stanley, ENS</i>								
TRANSFERS TO DISBURSING OFFICERS PLUS BALANCE ON HAND LAST DAY OF MONTH WILL EQUAL TOTAL RECEIPTS COLUMN OF CASHBOOK								

66.26

Figure 7-9.—Closeout of the cashbook.

FINANCIAL CONTROL RECORD		PERIOD ENDING 31 July 19-
NAV 5 AND A FORM 1099 (6-58)		
NOTE: All entries to be at retail prices.		
1	Opening inventory	\$1,055.57
2	Total receipts	466.51
3	TOTAL	\$1,522.08
4	Total expenditures	47.25
5	Closing inventory	1,063.05
6	TOTAL	1,110.30
7	Sales by inventory, excluding vending machine sales (Line 3 - line 6)	411.78
Sales per Cashbook (Exclude vending machine sales)		412.52
Sales by inventory		411.78
Difference (Over/under)		.74
Percent of difference		.179
SIGNATURE (Ship's Store Officer)		DATE
P. Treadwell		31 July 19-
REMARKS		

TAKEN FROM THE FINANCIAL CONTROL RECORD FOR THE PREVIOUS MONTH.

THE TOTAL OF ALL RESALE MERCHANDISE RECEIVED DURING THE MONTH, EXTENDED AT RETAIL PRICE.

THE TOTAL OF LINES 1 AND 2.

TRANSFERS AND SURVEYS EXTENDED AT RETAIL PRICE AND MARKDOWNS (NET AMOUNT OF RETAIL CHANGE).

TOTAL RETAIL VALUE OF ALL RESALE MERCHANDISE IN THE SHIP'S STORE. (DOES NOT INCLUDE COST ITEMS).

THE TOTAL OF LINES 4 AND 5.

OPENING INVENTORY PLUS RECEIPTS LESS EXPENDITURES AND CLOSING INVENTORY REPRESENTS THE RETAIL VALUE OF MERCHANDISE SOLD.

TOTAL AMOUNT OF CASH COLLECTED AND ENTERED IN THE CASHBOOK BY THE ACCOUNTABLE OFFICER. (DOES NOT INCLUDE CASH COLLECTED FROM VENDING MACHINE).

AMOUNT BROUGHT DOWN FROM LINE 7.

THE DIFFERENCE BETWEEN SALES PER CASHBOOK AND SALES BY INVENTORY.

THE AMOUNT OF DIFFERENCE DIVIDED BY SALES PER CASHBOOK.

Figure 7-10.—Preparation of the Financial Control Record.

66.46

to guidelines in the NAVSUP P-487 and under the following conditions. See figure 7-10.

- At the end of the month
- Upon relief of the ship's store officer
- Upon relief of the ship's store operator
- At the direction of higher authority

Any differences, gains or losses, or dishonest acts should be handled according to the procedures contained in NAVSUP P-487. For more detailed information on ships without Supply Corps officers, consult your NAVSUP P-487.

The Financial Control Record (NAVSUP 1099) with supporting vouchers should be submitted to the appropriate FAADC. The Financial Control Record should be submitted at the following times:

- Monthly within 5 days following the end of the month

- Upon relief of the ship's store officer

For more detailed information on the financial records for ships without Supply Corps officers, consult your NAVSUP P-487.

The information in this chapter has shown the various ways in which your ship's store's records and returns establish and transfer accountability. As a senior Ship's Serviceman, you will have important responsibilities for the accuracy of these records and returns. It is only through accurate ship's store records that you can begin to gain control over your ship's store operation. When you report the financial position of your ship's store, your records and returns must also reflect a level of accuracy and integrity that can withstand an external analysis. As a senior Ship's Serviceman, your responsibilities for establishing accountability begin with your stock records and culminate in the effectiveness of your ship's store operation.